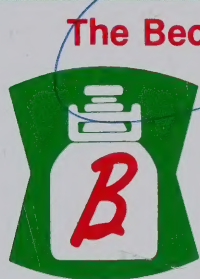


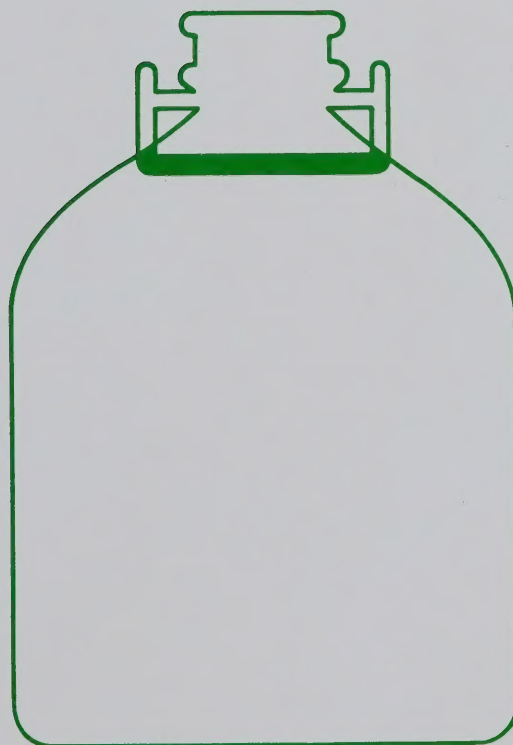
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The Becker Milk Company Limited

Annual Report

Year ended April 30, 1979



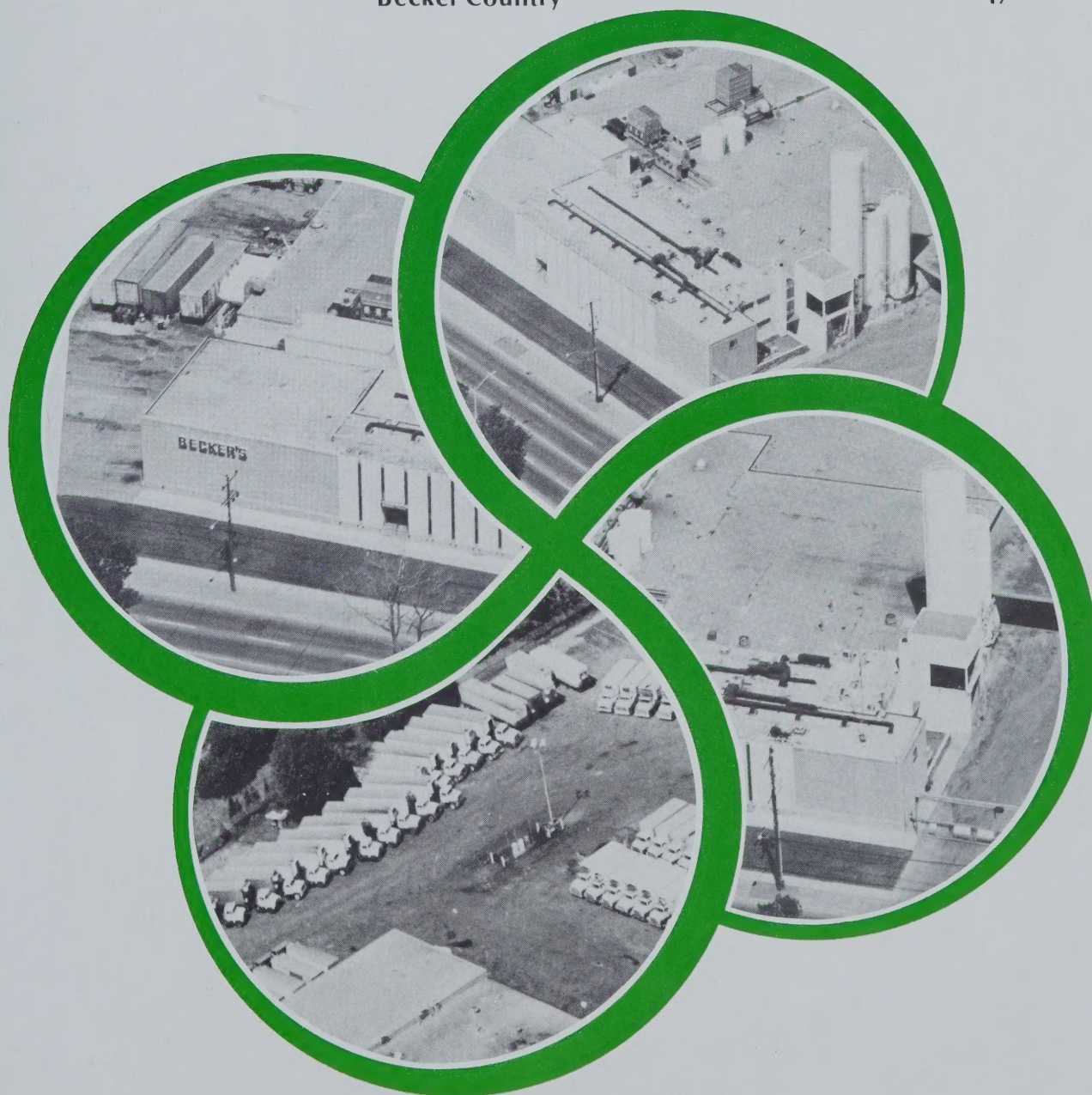


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Table of Contents

Highlights of the year	3
Directors report to the Shareholders	4-5
Financial Position	6
Consolidated Statement of Earnings	7
Balance Sheet	8-9
Consolidated Statement of Changes in Financial Position	10
Notes to Consolidated Financial Statements	11-12
Auditor's Report	13
10 Years Progress Report	14-15
Directors & Officers	16
Becker Country	17



Highlights of the year

Year Ended April 30

	1979	1978	Percentage Change
Sales	152,885,173	140,039,831	+ 9.2
Operating earnings	7,163,250	3,676,082	+ 94.9
Net earnings	2,266,094	505,944	+ 347.9
Earnings per share	1.30	.27	+ 381.5
Long term debt	3,039,114	3,600,468	— 15.6
Shareholders' equity	18,029,545	16,227,591	+ 11.1
Shares outstanding — Class A	5,675	5,675	—
— Class B	1,179,610	1,179,610	—
— Common	540,750	540,750	—
Number of Stores	588	580	+ 1.4

Directors' report to the shareholders



We are pleased to submit to you this report on our operations for the year ended April 30, 1979.

It has been an excellent year for us and our net earnings are now again approaching normal levels.

Even if we did not set any new earnings records, it is most gratifying to see such an improvement in our operating results, especially after two consecutive years of depressed and declining earnings.

Our sales reached \$152,885,173,

an increase of 9% from the previous year. The improvement in earnings was at a much greater rate. The 1979 net earnings amounted to \$2,266,094, or \$1.30 per share, compared to \$505,944, or 27 cents per share in the previous year.

In fact, these earnings have only been bettered twice before during our twenty-two years of operations.

It is also significant that the 9% increase in sales was achieved with only 1.4% increase in the number of stores.

The past year has still been a period of consolidation and adjustment for us. For some time now, in response to adverse business conditions and high level of competitive activity in the food retailing industry, our expansion programme has been very cautious and moderate.

We have also continued our careful evaluation of the performance of existing store locations, closing stores which have become unprofitable.

As a result only a net of 8 stores have been added during the year. At the year end there were a total of 588 stores in Becker Country, which last year also expanded into yet another milk marketing area covering Muskoka and Parry Sound Districts.

Our stores now cover an area from Strathroy to Vankleek Hill, near the Quebec border, and from Fort Erie to Gravenhurst, with stores in over 190 communities of Ontario.

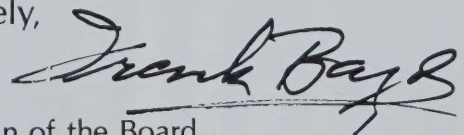
The cautious expansion programme has also resulted in yet another year of lower capital expenditures, reduced long-term debt and improved working capital position.

Working capital position particularly shows very considerable improvement as it now stands at a significant positive figure instead of the negative figure of the previous year.

The past period of consolidation has reinforced our position. We now hope to be able to again accelerate our expansion and put to good use the experience gained and the financial strength accumulated.

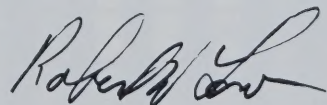
We are looking forward to another excellent year and hope to better our results again and perhaps to achieve the new record of earnings which this past year eluded us.

Sincerely,



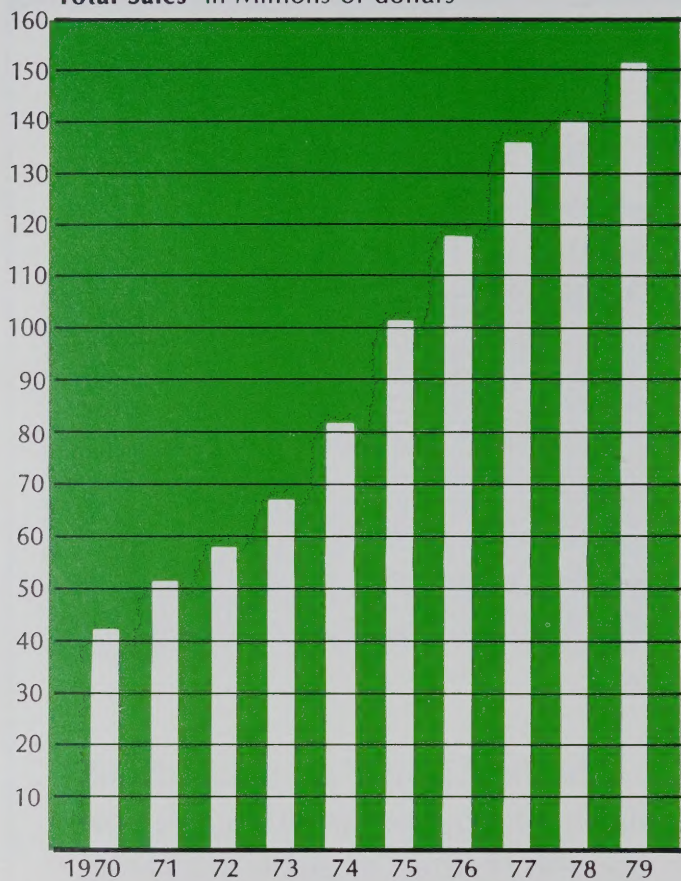
Chairman of the Board

President



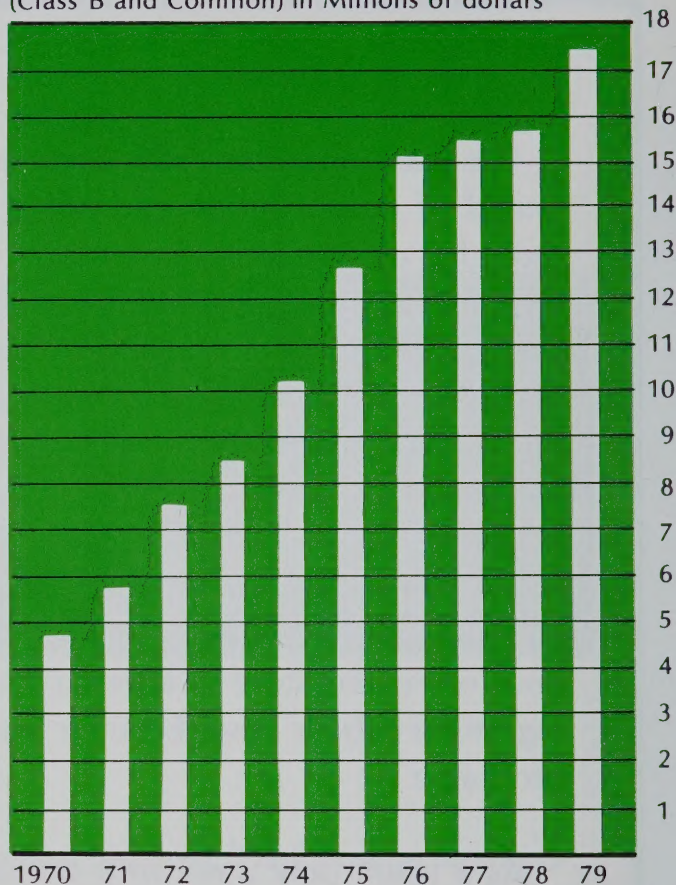
Financial position

Total Sales in Millions of dollars



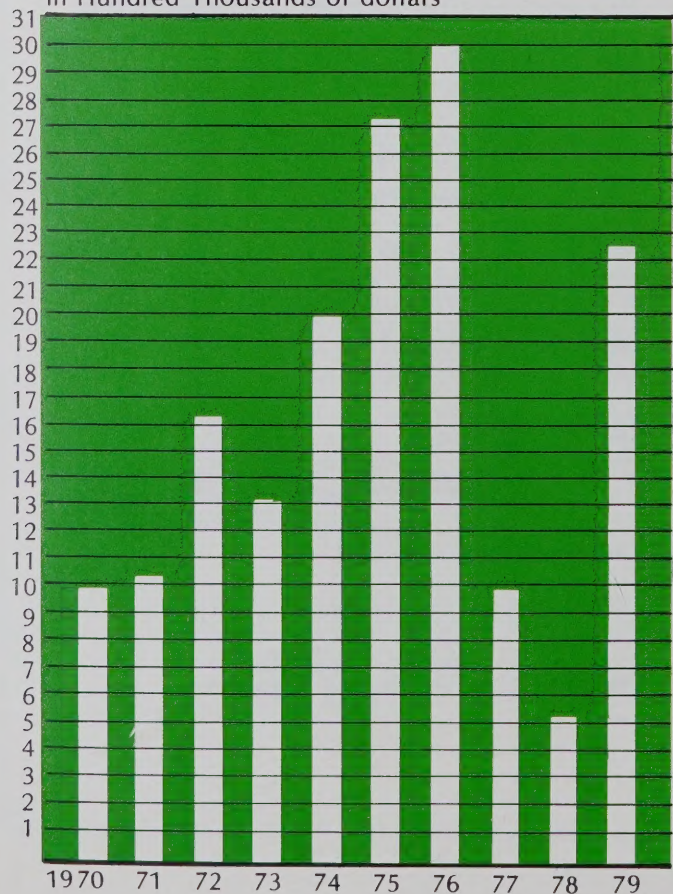
Shareholders' Equity

(Class B and Common) in Millions of dollars

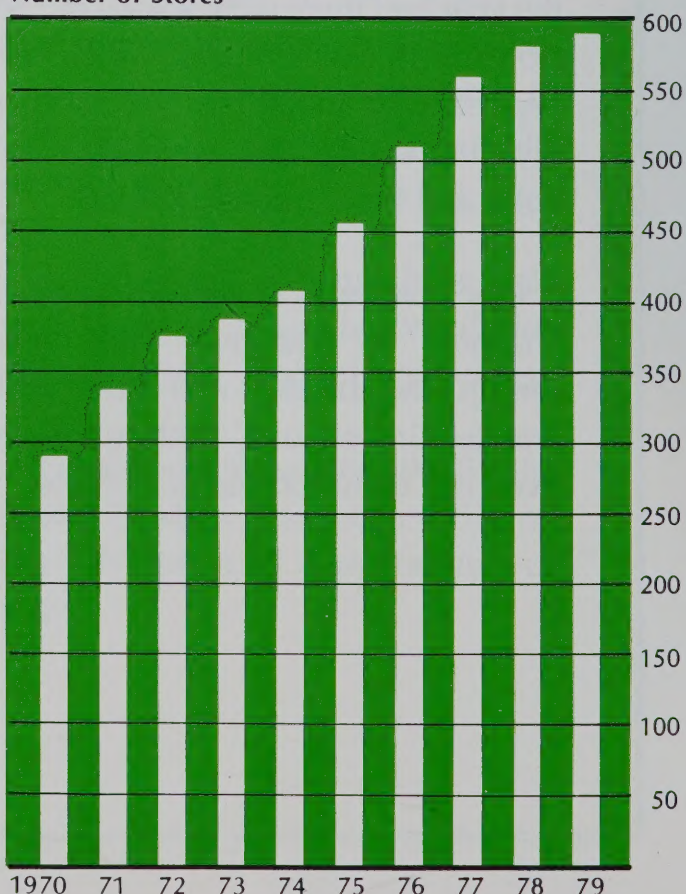


Net Earnings (after tax)

in Hundred Thousands of dollars



Number of Stores



The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Retained Earnings

for the year ended April 30, 1979

	1979 \$	1978 \$
Balance at beginning of year	14,792,348	14,750,544
Net earnings for the year	2,266,094	505,944
	17,058,442	15,256,488
Dividends — class A preference shares	34,050	34,050
— class B preference shares	294,903	294,903
— common shares	135,187	135,187
	464,140	464,140
Balance at end of year	16,594,302	14,792,348

Consolidated Statement of Earnings

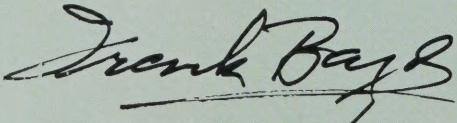
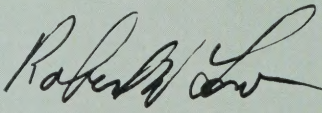
for the year ended April 30, 1979

	1979 \$	1978 \$
Sales — Note 1	152,885,173	140,039,831
Earnings before depreciation and amortization, interest charges and taxes on income	7,163,250	3,676,082
Depreciation and amortization	2,659,246	2,568,973
Interest charges on long-term debt	412,910	358,165
	3,072,156	2,927,138
Net earnings before taxes on income	4,091,094	748,944
Provision for income taxes —		
Current	1,777,000	—
Deferred	48,000	243,000
	1,825,000	243,000
Net earnings for the year	2,266,094	505,944
Earnings per class B and common shares	1.30	.27

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet as at April 30, 1979

ASSETS

	1979 \$	1978 \$
Current Assets		
Cash	2,069,168	50,510
Marketable securities — at cost	5,073	5,073
Accounts receivable	2,806,419	2,325,379
Inventories — Note 1	9,285,458	8,440,898
Prepaid expenses and deposits	241,200	248,633
Corporation income tax refund due	113,723	—
Mortgages receivable	28,846	186,269
	14,549,887	11,256,762
Investments		
Shares and advances to an affiliated company — at cost	48,000	—
Chattel mortgages receivable	52,547	131,272
Mortgages receivable	50,421	156,888
	150,968	288,160
Less: Principal due within one year	28,846	186,269
	122,122	101,891
Fixed Assets — Note 1		
Assets — at cost	36,839,459	34,937,086
Less: Accumulated depreciation and amortization	15,898,724	13,684,291
	20,940,735	21,252,795
Other Assets		
Rent deposits	14,627	14,542
Progress draws on equipment and building construction	76,465	136,657
Payment in respect of Department of Labour assessments — Note 2	—	582,575
Other	137,976	103,601
	229,068	837,375
Approved on behalf of the Board:		
Director 		
Director 		
	35,841,812	33,448,823

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Balance Sheet as at April 30, 1979

LIABILITIES

	1979 \$	1978 \$
Current Liabilities		
Bank indebtedness	—	1,509,627
Accounts payable and accrued charges	9,916,664	8,084,561
Dividends payable — Note 5	215,045	215,045
Deferred franchise income	84,389	61,921
Loan payable — affiliated company	2,050,000	1,265,000
Sundry mortgages and debentures payable	600,943	582,480
	12,867,041	11,718,634
Long-Term Liabilities		
Deferred franchise income — Note 1	395,155	365,748
Deferred income	—	134,791
Series C debentures — Note 3	2,600,000	3,000,000
Sundry mortgages payable — Note 4	709,915	826,938
Other	330,142	221,219
	4,035,212	4,548,696
Less: Due within one year	685,332	644,401
	3,349,880	3,904,295
Deferred income taxes — Note 1	1,595,346	1,598,303
	17,812,267	17,221,232

SHAREHOLDERS' EQUITY

Share Capital		
Authorized —		
8,000 — 6% cumulative class A preference shares with a par value of \$100 each, redeemable at par		
2,459,250 — non-voting, non-cumulative, participating class B preference shares without par value		
640,750 — common shares without par value		
Issued and Fully Paid —		
5,675 — class A shares	567,500	567,500
1,179,610 — class B shares	867,455	867,455
540,750 — common shares	288	288
	1,435,243	1,435,243
Retained earnings — Note 5	16,594,302	14,792,348
	18,029,545	16,227,591
	35,841,812	33,448,823

The accompanying notes are an integral part of the financial statements.

The Becker Milk Company Limited and Subsidiary Companies

Consolidated Statement of Changes in Financial Position for the year ended April 30, 1979

	1979 \$	1978 \$
Sources of Working Capital		
Net earnings for the year	2,266,094	505,944
Non-cash charges deducted in arriving at earnings, principally depreciation and deferred income taxes	2,650,936	2,875,430
Funds provided from operations	4,917,030	3,381,374
Increase in long-term debt and deferred income	—	36,906
Sale of fixed assets	232,581	192,243
Decrease in investments	—	143,448
Sales tax refund	—	163,375
Decrease in other assets	529,949	—
Other	—	28,453
	5,679,560	3,945,799
Applications of Working Capital		
Fixed asset additions and progress draw billings	2,496,056	3,413,972
Dividends	464,140	464,140
Decrease in long-term debt and deferred income	554,415	—
Increase in investments	20,231	—
	3,534,842	3,878,112
Increase in working capital	2,144,718	67,687
Working capital (deficiency) at beginning of year	(461,872)	(529,559)
Working capital (deficiency) at end of year	1,682,846	(461,872)

The Becker Milk Company Limited and Subsidiary Companies

Notes to Consolidated Financial Statements as at April 30, 1979

1. ACCOUNTING POLICIES

Principles of Consolidation

The accounts of the subsidiary companies have been included in the consolidation from the date of their acquisition.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined for processing and warehousing inventory on a first-in, first-out basis and for retail store inventories on a first-in, first-out basis applied by the retail inventory method.

Inventory values are as follows:-

	April 30	
	1979	1978
	\$	\$
Processing and warehousing	882,887	1,119,294
Store	8,402,571	7,321,604
	9,285,458	8,440,898

Fixed Assets

Fixed assets are valued at cost and are classified as follows:-

	1979	1978
	\$	\$
Land	2,548,657	2,429,901
Buildings and leasehold improvements	10,964,695	10,407,763
Store production, automotive and office equipment	23,326,107	22,099,422
	36,839,459	34,937,086
Less: Accumulated depreciation and amortization	15,898,724	13,684,291
	20,940,735	21,252,795

Depreciation has been calculated in accordance with the Company's established policy of amortizing the depreciable properties over their estimated useful life, with the exception of trucks and automobiles, which have been depreciated at maximum normal rates permitted by regulation under The Canada Income Tax Act.

The Company has continued to claim maximum allowances for income tax purposes.

Sales

Sales include sales by Company-owned stores and sales by the Company to its franchisees.

Franchise Income

Income fees are taken into income over the term of the franchise agreement.

Income Taxes

Income taxes are accounted for on the tax allocation method, whereby income taxes are fully provided on reported earnings at current tax rates. Reported earnings differ from taxable income because of timing differences, principally depreciation and franchise fee income.

The Becker Milk Company Limited and Subsidiary Companies

2. RETAIL SALES TAX AND DEPARTMENT OF LABOUR ASSESSMENTS

During the year, the assessments levied by The Retail Sales Tax Department and Department of Labour were settled. The settlements, net of income taxes, amounting to approximately \$113,000 or \$.07 per class B and common shares were charged to current earnings.

3. SERIES C DEBENTURES

The authorized maximum loan from the Company's bankers under these debentures is \$10,800,000. Draw-downs may be made to December 1, 1979. The Company has drawn-down \$4,000,000 to date. Repayment of principal is 10% per annum of the amount of the draw-downs, the current annual repayment being \$400,000. The loan may be prepaid at any time without notice or bonus. The Company's bankers hold warrants to purchase 8,000 class B shares at \$6.19. The warrants are exercisable on or before January 31, 1982. The debentures are secured by a charge on all assets presently owned and hereafter acquired. Dividends may be paid on any class of shares provided capital and retained earnings exceed \$10,000,000.

4. SUNDRY MORTGAGES PAYABLE

The principal amounts mature up to 1986 with various interest rates not exceeding 12% per annum.

5. DIVIDENDS

On December 14, 1978, the Company declared a dividend of \$6 per share on its class A shares, being the dividend accruing from January 1, 1978 to December 31, 1978. This dividend totalling \$34,050 was paid on January 2, 1979. Dividends totalling 25¢ per share were declared on class B and common shares during the year.

6. REMUNERATION OF DIRECTORS AND OFFICERS

Expenses include \$390,835 (last year \$341,544) for remuneration of officers and \$9,800 (last year \$8,800) for directors.

7. LEASES

The minimum annual rentals payable (excluding insurance, property taxes and certain other occupancy charges) under the lease obligations for store locations amount to \$3,976,000. The total minimum rental liability under leases (excluding insurance, property taxes and certain other occupancy charges) to the date of expiry or option, whichever occurs first amounts to \$18,143,000.

LANGLOIS, HAUCK & COMPANY

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Becker Milk Company Limited and its subsidiary companies as at April 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Langlois Hauck & Company
Chartered Accountants

Toronto, Ontario, June 29, 1979

The Becker Milk Company Limited
TEN YEARS OF
 Year ended

	1979	1978	1977	1976
	\$	\$	\$	\$
Sales	152,885,173	140,039,831	135,876,529	117,940,268
Earnings before depreciation and amortizations, interest and taxes on income	7,163,250	3,676,082	4,466,930	7,778,482
Depreciation and amortization	2,659,246	2,568,973	2,333,974	1,782,854
Interest	412,910	358,165	251,426	224,515
Taxes on income	1,825,000	243,000	891,000	2,758,000
Net earnings	2,266,094	505,944	990,530	3,013,113
Shareholders' equity (Note 1)	17,462,045	15,660,091	15,618,287	15,091,897
Shares outstanding (Note 1)	1,720,360	1,720,360	1,720,360	1,720,360
Net earnings per class B and common share (Note 2)	1.30	.27	.56	1.73
No. of stores (at end of fiscal year)	588	580	564	517
Net fixed asset additions	2,263,475	3,221,729	4,579,681	6,240,916

Notes

1. Combined Class B and Common.
2. Net earnings per share have been adjusted to allow for the current year Class "A" preference dividend. Dividends on Class "A" Shares from January 1, 1979 to April 30, 1979 amounting to \$11,350 have not been declared and/or allowed in computing the shareholders' equity.

and Subsidiary Companies
PROGRESS
 April 30

1975 \$	1974 \$	1973 \$	1972 \$	1971 \$	1970 \$
100,011,774	82,512,538	76,084,930	68,670,017	56,956,164	50,636,008
7,541,665	5,533,008	3,950,902	4,381,989	3,252,808	3,271,049
1,487,472	1,243,306	1,199,672	1,110,483	958,516	814,019
261,424	223,504	174,032	175,962	195,230	194,858
3,017,000	2,061,000	1,212,500	1,484,400	1,111,560	1,197,800
2,775,769	2,005,198	1,364,698	1,611,144	1,075,002	1,064,372
12,542,924	10,188,286	8,475,193	7,316,581	5,901,457	4,853,593
1,720,360	1,720,360	1,720,360	1,720,360	1,719,220	1,718,260
1.59	1.15	.77	.92	.60	.60
451	412	392	374	340	293
4,225,499	1,750,575	2,324,134	2,178,436	2,167,127	2,165,236

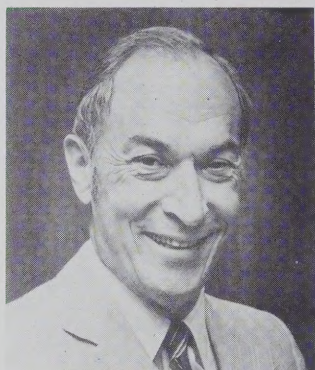
Directors and officers



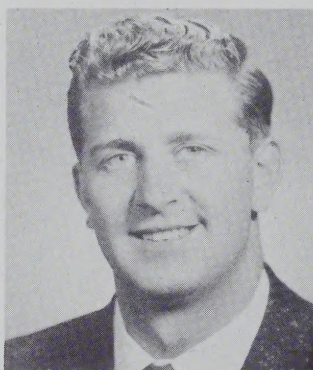
Frank A. Bazos



Robert W. Lowe



E. S. Miles



Robert Bazos



Harold Keene



George Panos



Arvi Magi

Board of Directors

Frank A. Bazos
Chairman of the Board
The Becker Milk Company Limited
Robert W. Lowe
President
The Becker Milk Company Limited
Robert Bazos
President
Perrette Dairy Limited
R. S. Paddon
Queen's Counsel
E. S. Miles
Executive
George Panos
Vice-President
The Becker Milk Company Limited
Geoffrey W. J. Pottow
Vice-President
The Becker Milk Company Limited
Arvi Magi
Vice-President and
Secretary Treasurer
The Becker Milk Company Limited

Arvi Magi
Vice-President and
Secretary Treasurer
Harold Keene
Vice-President
George Panos
Vice-President
Geoffrey W. J. Pottow
Vice-President

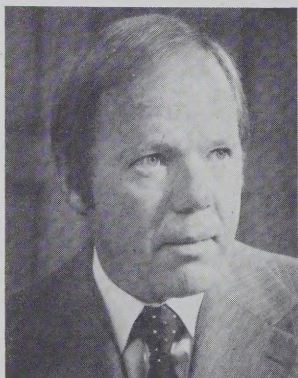
**Registrar and
Transfer Agent**
The Royal Trust
Company, Toronto and
Montreal

Auditors
Langlois, Hauck &
Company, Toronto

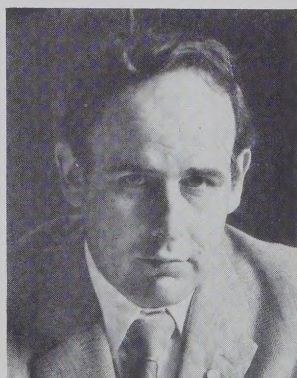
Solicitors
Aird & Berlis

**Stock Exchange
Listing of Class "B"
Shares**
Toronto Stock Exchange

Head Office
671 Warden Ave.,
Scarborough, Ontario,
Canada



R. S. Paddon



Geoffrey W. J. Pottow

Officers

Frank A. Bazos
Chairman of the Board
Robert W. Lowe
President
Robert Bazos
Vice-President

Becker Country

In each area on the map is shown the number of stores open in that area at the end of the 1979 and 1978 fiscal year.

